

**ASSEMBLY BILL**

**No. 1963**

**Introduced by Assembly Member Hertzberg**

February 18, 2000

---

---

An act to amend Section 1748.11 of, and to add Section 1748.13 to, the Civil Code, relating to consumer credit.

LEGISLATIVE COUNSEL'S DIGEST

AB 1963, as introduced, Hertzberg. Credit cards.

Existing law requires any application form or preapproved written solicitation for an open-end credit card account to be used for personal, family, or household purposes mailed to a consumer residing in this state by or on behalf of a creditor to contain or be accompanied by specified disclosures regarding periodic rate or rates that may be applied to the account and fees.

This bill would require those forms or solicitations to also include specified disclosures regarding the range, if any, of applicable interest rates based on the consumer's creditworthiness, "teaser rates," as defined, and interest rate penalties for late or missed payments.

The bill would also require a credit card issuer to notify the cardholder, in each billing statement, of the specific date when the entire balance due on the cardholder's open-end credit card account, as of the closing date of the statement, would be paid off if the cardholder were only to pay the minimum amount due on the open-end credit card account.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 1748.11 of the Civil Code is amended to read:

1748.11. (a) Any application form or preapproved written solicitation for an open-end credit card account to be used for personal, family, or household purposes which is mailed on or after October 1, 1987, to a consumer residing in this state by or on behalf of a creditor, whether or not the creditor is located in this state, other than an application form or solicitation included in a magazine, newspaper, or other publication distributed by someone other than the creditor, shall contain or be accompanied by either of the following disclosures:

(1) A disclosure of each of the following, if applicable:

(A) Any periodic rate or rates that may be applied to the account, expressed as an annual percentage rate or rates. *If the account is subject to a fixed rate, the creditor shall disclose the rate as of the date the account is opened.* If the account is subject to a variable rate, the creditor may instead either disclose the rate as of a specific date and indicate that the rate may vary, or identify the index and any amount or percentage added to, or subtracted from, that index and used to determine the rate. For purposes of this section, that amount or percentage shall be referred to as the “spread.” *If the account is subject to a rate or rates that are dependent upon the particular consumer’s creditworthiness, the creditor shall disclose the entire range of rates available and shall not mention the lowest available rate anywhere in the solicitation or application without also disclosing the highest rate. The highest rate in the range shall be disclosed in a type size that is no smaller than the type size used to disclose the lowest rate.*

(B) *Any teaser rate, the period during which that rate shall remain in effect, and the rate applicable at the end of that period. For purposes of this section, “teaser rate” means any temporary, introductory interest rate.*

(C) Any membership or participation fee that may be imposed for availability of a credit card account, expressed as an annualized amount.

~~(C)~~

(D) Any per transaction fee that may be imposed on purchases, expressed as an amount or as a percentage of the transaction, as applicable.

~~(D)~~

(E) If the creditor provides a period during which the consumer may repay the full balance reflected on a billing statement—~~which~~ *that* is attributable to purchases of goods or services from the creditor or from merchants participating in the credit card plan, without the imposition of additional finance charges, the creditor shall either disclose the number of days of that period, calculated from the closing date of the prior billing cycle to the date designated in the billing statement sent to the consumer as the date by which that payment must be received to avoid additional finance charges, or describe the manner in which the period is calculated. For purposes of this section, the period shall be referred to as the “free period” or “free-ride period.” If the creditor does not provide such a period for purchases, the disclosure shall so indicate.

*(F) If the creditor imposes an increased interest rate as a penalty for late payments or missed payments, the creditor shall disclose the increased rate and the number of late or missed payments that will trigger the increase.*

(2) A disclosure that satisfies the initial disclosure statement requirements of Regulation Z.

(b) A creditor need not present the disclosures required by paragraph (1) of subdivision (a) in chart form or use any specific terminology, except as expressly provided in this section. The following chart shall not be construed in any way as a standard by which to determine whether a creditor who elects not to use such a chart has provided the required disclosures in a manner—~~which~~ *that* satisfies paragraph (1) of subdivision (a). However, disclosures shall be conclusively presumed to satisfy the requirements of paragraph (1) of subdivision (a) if a

1 chart with captions substantially as follows, *in at least*  
2 *eight-point type*, is completed with the applicable terms  
3 offered by the creditor, or if the creditor presents the  
4 applicable terms in tabular, list, or narrative format, *in at*  
5 *least eight-point type*, using terminology substantially  
6 similar to the captions included in the following chart:

7  
8 THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO  
9 THE AREIAS-ROBBINS CREDIT CARD FULL DISCLOSURE ACT  
10 OF 1986: INTEREST RATES, FEES, AND FREE-RIDE PERIOD FOR  
11 PURCHASES UNDER THIS CREDIT CARD ACCOUNT

12 13 14 15 16 17 18	12 13 14 15 16 17 18	12 13 14 15 16 17 18	12 13 14 15 16 17 18	12 13 14 15 16 17 18
ANNUAL PER- CENTAGE RATE (1)	VARIABLE RATE INDEX AND SPREAD (2)	ANNUALIZED MEMBERSHIP OR PARTICI- PATION FEE	TRANS ACTION FEE	FREE-RIDE PERIOD (3)
19 20 21 22 23 24	19 20 21 22 23 24	19 20 21 22 23 24	19 20 21 22 23 24	19 20 21 22 23 24

25  
26 THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO  
27 THE AREIAS-ROBBINS CREDIT CARD FULL DISCLOSURE ACT  
28 OF 1986: INTEREST RATES, FEES, AND FREE-RIDE PERIOD FOR  
29 PURCHASES UNDER THIS CREDIT CARD ACCOUNT  
30



<i>Annual Percent- age Rate (1)</i>	<i>Variable Rate Index and Spread (2)</i>	<i>Teaser Rate and Period (3)</i>	<i>Annual- ized member- ship or Partici- pation Fee</i>	<i>Trans- action Fee</i>	<i>Free Ride Period (4)</i>	<i>Default Penalty Rate (5)</i>

(1) For fixed interest rates. If variable rate, creditor may elect to disclose a rate as of a specified date and indicate that the rate may vary. *If a range of fixed rates is offered depending on the creditworthiness of the consumer, that range shall be indicated.*

(2) For variable interest rates. If fixed rate, creditor may eliminate the column, leave the column blank, or indicate “No” or “None” or “Does not apply.” *If a range of variable rates is offered depending on the creditworthiness of the consumer, that range shall be indicated.*

(3) For example, “6.9% for six months and then 12.90% (fixed)” or “6.9% for six months and then prime + 3.9%.”

(4) For example, “30 days” or “Yes, if full payment is received by next billing date” or “Yes, if full new balance is paid by due date.”

(5) For example, “19.9% if two consecutive payments are missed.”

(c) For purposes of this section, “Regulation Z” has the meaning attributed to it under Section 1802.18, and all of the terms used in this section have the same meaning as attributed to them in federal Regulation Z (12 C.F.R. Sec. 226.1 et seq.). For the purposes of this section, “open-end credit card account” does not include an account

1 accessed by a device described in paragraph (2) of  
2 subdivision (a) of Section 1747.02.

3 (d) Nothing in this section shall be deemed or  
4 construed to prohibit a creditor from disclosing additional  
5 terms, conditions, or information, whether or not relating  
6 to the disclosures required under this section, in  
7 conjunction with the disclosures required by this section.

8 (e) If a creditor is required under federal law to make  
9 any disclosure of the terms applicable to a credit card  
10 account in connection with application forms or  
11 solicitations, the creditor shall be deemed to have  
12 complied with the requirements of paragraph (1) of  
13 subdivision (a) with respect to those application forms or  
14 solicitations if the creditor complies with the federal  
15 disclosure requirement. For example, in lieu of  
16 complying with the requirements of paragraph (1) of  
17 subdivision (a), a creditor has the option of disclosing the  
18 specific terms required to be disclosed in an  
19 advertisement under Regulation Z, if the application  
20 forms or solicitations constitute advertisements in which  
21 specific terms must be disclosed under Regulation Z.

22 (f) If for any reason the requirements of this section do  
23 not apply equally to creditors located in this state and  
24 creditors not located in this state, then the requirements  
25 applicable to creditors located in this state shall  
26 automatically be reduced to the extent necessary to  
27 establish equal requirements for both categories of  
28 creditors, until it is otherwise determined by a court of  
29 law in a proceeding to which the creditor located in this  
30 state is a party.

31 (g) All application forms for an open-end credit card  
32 account distributed in this state on or after October 1,  
33 1987, other than by mail, shall contain a statement in  
34 substantially the following form:

35 “If you wish to receive disclosure of the terms of this  
36 credit card, pursuant to the Areias-Robbins Credit Card  
37 Full Disclosure Act of 1986, check here and return to the  
38 address on this application.”

39 A box shall be printed in or next to this statement for  
40 placement of ~~such~~ a checkmark.



1 However, this subdivision does not apply if the  
2 application contains the disclosures provided for in this  
3 title.

4 (h) This title does not apply to any application form or  
5 written advertisement or an open-end credit card  
6 account where the credit to be extended will be secured  
7 by a lien on real or personal property or both real and  
8 personal property.

9 (i) This title does not apply to any person who is  
10 subject to Article 10.5 (commencing with Sec. 1810.20) of  
11 Chapter 1 of Title 2.

12 SEC. 2. Section 1748.13 is added to the Civil Code, to  
13 read:

14 1748.13. (a) A credit card issuer shall, with each  
15 billing statement provided to a cardholder in this state,  
16 notify the cardholder of the specific date when the  
17 cardholder would pay off the entire balance due on an  
18 open-end credit card account as of the closing date of the  
19 statement if the cardholder were to pay only the  
20 minimum amount due on the open-ended account.

21 (b) (1) For purposes of this section, “open-end credit  
22 card account” means an account in which consumer  
23 credit is granted by a creditor under a plan in which the  
24 creditor reasonably contemplates repeated transactions,  
25 the creditor may impose a finance charge from time to  
26 time on an unpaid balance, and the amount of credit that  
27 may be extended to the consumer during the term of the  
28 plan is generally made available to the extent that any  
29 outstanding balance is repaid and up to any limit set by  
30 the creditor.

31 (2) For purposes of this section, “credit card” has the  
32 same meaning as in paragraph (2) of subdivision (a) of  
33 Section 1748.12.

